



## Trust Indiana launched

From staff and wire reports  
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INDIANAPOLIS — State officials said Wednesday that local governments and schools could earn more interest and avoid fees if they pooled their money into a state-run fund rather than using traditional banks.

The comments came as the state launched the new Trust Indiana program, which will be up and running by Friday, said state Treasurer Richard Mourdock.

Counties, cities and schools can pool their cash for the state treasurer to invest, then take out the money when they need it to issue paychecks or pay bills. There are no transaction fees and — unlike some bank investments — governments can deposit money one day and take it out the next.

Earning more interest could become increasingly important to local governments in coming years. Proposed property tax relief plans could reduce the amount of cash schools and governments would collect, so extra cash could come in handy.

"This is a real step to help local units of governments get funds that otherwise would not have to be collected as taxes," Mourdock said. "They're looking for pennies — they really are — which is their fiduciary responsibility."

But local government investment pools have run into problems in other states. Florida's local government investment fund was hit by a multibillion-dollar run in November after investors discovered it contained downgraded mortgage-backed securities. The fund's assets dropped to \$14 billion from more than \$27 billion by the time the account was temporarily frozen to stop the run.

Indiana's fund has safeguards to prevent those types of problems, Mourdock said.

The state will not be investing in the same type of securities as Florida and has hired a management company instead of running it in-house. Indiana will also put \$250 million in state money into the fund in an attempt to show local governments it is safe, he said.

State officials hope to eventually have up to \$3 billion in the fund. On any given day, local governments and schools have about \$13 billion to invest in banks, said Mourdock, an Evansville native and former Vanderburgh County commissioner.

Mourdock's announcement comes as local governments, particularly school corporations, may be feeling the pinch from the proposed property tax caps now moving through the Legislature.

A Legislative Services Agency estimate released Monday showed that school funding could be cut by approximately \$150 million in 2010, under the property tax relief plan passed by the Indiana House as House Bill 1001. Evansville-Vanderburgh School Corp. would receive approximately \$1 million less funding each of the next two years than it would have received without the tax plan.

Such funding shortfalls may prompt many school corporations to invest in the Trust Indiana plan, predicted Dennis Costerison, executive director of the Indiana Association of School Business Officials.

"My members are pretty sophisticated about this, so they're going to look at this as being any opportunity to gain some dollars," Costerison said. "With this whole cloud of property tax hanging over revenue, if we can do anything to gain some revenue that is not property tax, then we ought to explore and move forward with those things. That fits, timewise, real well here."



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